

# **AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL OF WEST RAND DISTRICT MUNICIPALITY**

## **REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Introduction**

1. I have audited the accompanying consolidated financial statements and financial statements of the West Rand District Municipality (WRDM), which comprise the consolidated and separate statement of financial position at 30 June 2010, the consolidated and separate statement of financial performance, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the accounting officer's report as set out on pages ... to ....

### **Accounting officer's responsibility for the consolidated financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor-General's responsibility**

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

7. In my opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of the West Rand District Municipality as at 30 June 2010 and its consolidated and separate financial performance and its cash flows for the year then ended are prepared, in all material respects, in accordance with the SA Standards of GRAP and in the manner required by the MFMA.

#### **Emphasis of matter**

8. I draw attention to the matter below. My opinion is not further modified in respect of matters:

#### **Irregular expenditure**

9. As disclosed in note 28 to the financial statements, irregular expenditure to the amount of R3 106 515 was incurred, as proper tender processes were not followed.

#### **Additional matter**

10. I draw attention to the matter below. My opinion is not modified in respect of this matter:

#### **Unaudited supplementary schedules**

11. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

12. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations of the MFMA, Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and financial management (internal control).

### **Predetermined objectives**

13. Material findings on the report on predetermined objectives, as set out on pages ... to ..., are reported below:

### **Non-compliance with regulatory and reporting requirements**

14. The West Rand Development Agency did not prepare and include an assessment by the entity's accounting officer of the entity's performance against any measurable objectives set in terms of the agreement between the entity and its parent municipality, as required by section 121(4)(d) of the MFMA.

### **Compliance with laws and regulations**

#### **Municipal Finance Management Act, 2003**

##### **Supply Chain Management legislative requirements were not implemented**

15. Contrary to the requirements of MFMA section 112(1), the West Rand District Municipality supply chain management policy was in conflict with the MFMA and the supply chain management regulation.

### **INTERNAL CONTROL**

16. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA, but not for the purpose of expressing an opinion on the effectiveness of internal control.

17. The matters reported below are limited to the significant deficiencies regarding the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

### **Leadership**

#### *Oversight responsibility*

The accounting officer does not exercise oversight responsibility over compliance with laws and regulations as the West Rand District Municipality supply chain management policy was contrary to the MFMA and supply chain management regulation.

### **Financial and performance management**

#### **Quality, reliable monthly financial statements and management information**

The financial statements of West Rand Development Agency were subject to amendments resulting from the audit.

Adequate financial management systems

Systems of West Rand Development Agency are not appropriate to facilitate the preparation of the performance reports.

**Governance**

No matters to report.

*Auditor-General*

Johannesburg

30 November 2010



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*